

farms. The effect upon our prosperity is evident to the most casual observer. If the volume of our foreign trade should continue to be even as great as now, it would mean a long period of unusual prosperity in this country, but when peace is restored in Europe there will be a decreased demand for many of our products. It will be necessary to substitute markets which are now available and practically untouched by us if we are to preserve our prosperity unchecked. I refer to the markets of South America and the Orient. If we take them while we have the chance, we can establish unparalleled prosperity in this country. We have, by reason of the federal reserve system, so organized and consolidated our credit resources that we now have the financial strength to extend our commerce wherever it will go. Our one indispensable need is ships; merchant ships of American registry. We can get them by creating the necessary naval auxiliaries.

Why is it necessary to our commerce to have a merchant marine under the American flag?

This is an economic question of primary importance. We are one of the greatest industrial and producing nations on earth. We must have foreign markets to absorb our surplus products. Without them we shall have stagnation and depression and idleness and want. To secure our share of the open markets, such as Central and South America and the Orient, we must compete with other leading industrial nations of the world, such as Great Britain, Germany and France. If we have to depend on their ships to carry our goods in competition with them, to South America and the Orient, they will naturally favor British or German or French merchants, as the case may be, both in rates and service, as against American merchants. We have no control over or power to regulate these foreign steamship lines, or to prevent them from discriminating against our interests. If we have American ships, their first interest is to build up and extend American business, just as the first interest of the British ships is to build up British business, and the German ships to build up German business. After the European war is ended, competition for the open markets of the world will be more intense than ever. We must have every facility that our competitors have, if we are to get an even chance.

Let me illustrate: Suppose a merchant in Buenos Aires wants to place a large order for cotton goods, or steel rails. He gets quotations in England, Germany and the United States. The English manufacturer has an English steamship line to carry his product to Buenos Aires, and the German manufacturer has the same advantage in a German line. But the United States manufacturer has only a British or German ship to carry his product to Buenos Aires. Don't you suppose that the British and German steamship companies are going to give the best rates and service to the British and German manufacturers, instead of the American? Of course they are. Their first interest is in building up their own countries. But if the American manufacturer has an American steamship line to give him a fair show in rates and service, he may get the business. * * * * *

Having few American ships in the foreign trade, we are dependent today on the flag of Great Britain for the carriage of the greatest part of our commerce. She is at war. She must use her ships for her own necessities first, as a matter of course. She can not supply us with the ships we need for our own commerce, and the longer the war lasts the less she can do for us. The German flag, our other chief reliance, has disappeared from the seas. If Great Britain's control of the sea should be destroyed or seriously impaired, it would react disastrously on our trade and general situation. As an economic question, are we justified in relying upon the ships of any foreign flag to protect our vital interests, especially when the nation upon whose ships we depend is, or may be, engaged in great wars?

Consider a more serious phase of the matter. Suppose that a war between Great Britain and the United States should ever break out. Her ships would be withdrawn and we would be involved in immeasurable disaster.

The risk is too great for any first class power to take. We have no right to hazard the fortunes and the welfare and the safety of our country on such a chance. Already we are too close to the awful European conflict although we are at peace, thank God, with every belligerent. Let us secure our safety, physical and

economic, by doing what is necessary to be done, and what we are so able financially and otherwise to do.

We are, moreover, paying to foreign steamship lines more than \$300,000,000 per year, when, by having our own ships, we could pay them for this service, build up a merchant marine which will profit our people in time of peace and serve our country in time of war.

The question now arises as to how these merchant marine naval auxiliaries can be operated with the greatest benefit to the country. It must be borne in mind that a really useful naval auxiliary should consist of fast passenger and cargo ships as well as ordinary cargo ships. The combined passenger and cargo ships would be suitable for operation on specific routes, such, for instance, as lines running,

To Brazil, Uruguay and Argentina, and touching at the important ports of those countries.

To Colombia, Ecuador, Peru and Chile, and along the west coast of South America.

To the Orient, touching at Honolulu and the leading ports in Japan, China and the Philippines.

We should not, however, establish regular steamship lines where sufficient and satisfactory service has been established by American companies operating ships under American registry.

The ordinary cargo ships could be used in any and all parts of the world, and in such manner as will be most beneficial to the commerce of the country.

To bring about these results a shipping board should be created, consisting of the secretary of the navy and the secretary of commerce as members ex-officio; and three members to be selected by the President and confirmed by the senate. I suggest that the secretary of the navy be a member of the board, instead of the secretary of the treasury as proposed in the shipping bill introduced in the last congress, because, at that time, the necessity for naval preparedness was not so apparent as it is now. Naval auxiliaries and naval reserves make co-operation and co-ordination with the navy essential, and with the secretary of the navy on the board, this will be secured. The secretary of commerce, whose department has its hand constantly upon the business pulse of the nation, should obviously be a member of the board. Congress should appropriate and put into the hands of this board a fund of \$50,000,000. This would be sufficient to create a naval auxiliary of suitable merchant ships of from 400,000 to 500,000 gross tons. This board should have authority to establish, as quickly as possible, steamship lines to the east and west coasts of South America and to the Orient. In my judgment it is highly important that such lines be established and operated under government control, so that there may be a guarantee of sufficient, regular and reliable service, and at such rates for passengers and freight as will put our farmers, producers and manufacturers on a competitive basis with their rivals in the world's trade. What the American producer and manufacturer needs, more than anything else, to enable him to capture his share of the world's markets, is this kind of steamship service, a service which he knows he can depend on, and rates which he knows will enable him to successfully compete with his European rivals.

In order to make this service most satisfactory, the shipping board should have authority to organize a corporation, or corporations, and to subscribe to the capital stock thereof in whole or in part, as the board may determine will most effectively carry out the objects in view. The board should have authority to vote the stock belonging to the United States for the election of directors. These directors will, in turn, choose the officers and employees of the corporation. By this means they will be removed from political influences, just as the Panama Railroad Company and Steamship Line, in which the government is the sole stockholder, is unaffected by political influences.

Another great advantage in having a corporation in which the government is a stockholder instead of the government itself operate these lines is this: The corporation can sue and be sued, and a shipper will have no difficulty in enforcing his remedy or claim against the corporation. If the government directly operated steamship lines, shippers would be embarrassed in the enforcement of their claims. They would have to sue in the court of claims at Washington, and, after judgment, secure an act of congress before payment could be made. In commercial undertakings it is important that legal remedies shall be prompt and effective. Moreover, the operation of ships through the agency of a corpora-

tion such as I have described will result in securing the most efficient management, and the methods will be as simple and direct as those of rival lines operating under foreign flags. These lines operated by a corporation or corporations under the general supervision of the shipping board will give confidence to business men, not only in the United States but in all those countries of South America and the Orient with which they will connect.

As a result of the Pan American Financial conference held in Washington last May, in which eighteen Central and South American nations participated, I am confident that those countries to which such lines run will extend every possible facility in the form of docks, terminals and favoring laws. Certain of those nations have indicated their eagerness to co-operate with our government in the most effective manner for the purpose of improving trade and commercial relations between their countries and ours.

As to the distinctively cargo ships, to which I have referred, and which would constitute a large and important part of the proposed naval auxiliary, I think that a different form of treatment could be adopted with great advantage to our commerce. The shipping board should have the power to lease these ships to responsible individuals, firms or corporations, under such conditions as the board may deem best, but in no event at less than 3 per cent on the cost of construction and 4 per cent for depreciation. The length of such leases, or charters, and the general conditions connected therewith, should be left to the discretion of the shipping board.

This would put in the hands of the board a mobile fleet of vessels which could be used in any part of the world, and under conditions that would enable them to meet any emergency that might arise anywhere with respect to our commerce.

Let us consider such a condition as now confronts the northwest. The lumber and grain interests in Washington, Oregon and throughout the northwest, have suffered severely for lack of shipping facilities. At certain seasons of the year the south requires a large number of ships to transport its cotton to Europe. In such circumstances the shipping board could throw a fleet of steamers into the leading ports of the northwest and south to take care of the seasonal demands, and protect shippers and business men in those sections of the country against loss and injury, and the excessive and extortionate charges from which they have too frequently suffered.

I do not mean to say that the power of the shipping board should be limited to leasing ships. The board should also have authority to operate them in commerce whenever suitable lessees can not be found, or whenever in its judgment the interests of our commerce would be best subserved by such direct operation through the medium of a corporation, or corporations, as I have already described.

Under this plan these merchant marine naval auxiliaries could be made to set the pace in merchant marine construction and operation. They could be used as a school for demonstration, along with the highly utilitarian services they would perform. The department of agriculture and the department of commerce have demonstration schools or agencies which have rendered invaluable services to our farmers, manufacturers and business men, and there is every reason to believe that the shipping board could render highly valuable services in the shipping field. These ships would constitute the very backbone of an American merchant marine and would restore the American flag to the high seas. They would also constitute an effective protection for the commerce of this country, to say nothing of the vital service they would perform for the nation in time of war.

Under the stimulation of such a plan, our shipyards would get additional business, not only for the construction of vessels, but also for their maintenance and repair. As I have before stated, we would, incidentally, be developing the shipyard facilities which are an essential part of the program for preparedness. The orders for these vessels need not be limited to shipyards on the Atlantic and Pacific coasts. There is no reason why our shipyards along the Great Lakes can not be utilized for the same purpose: why they can not be employed during the dull winter months in turning out the parts for these vessels, which could be transported in sections through the Great Lakes and the canals to the Atlantic ocean, and assembled there. This would

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